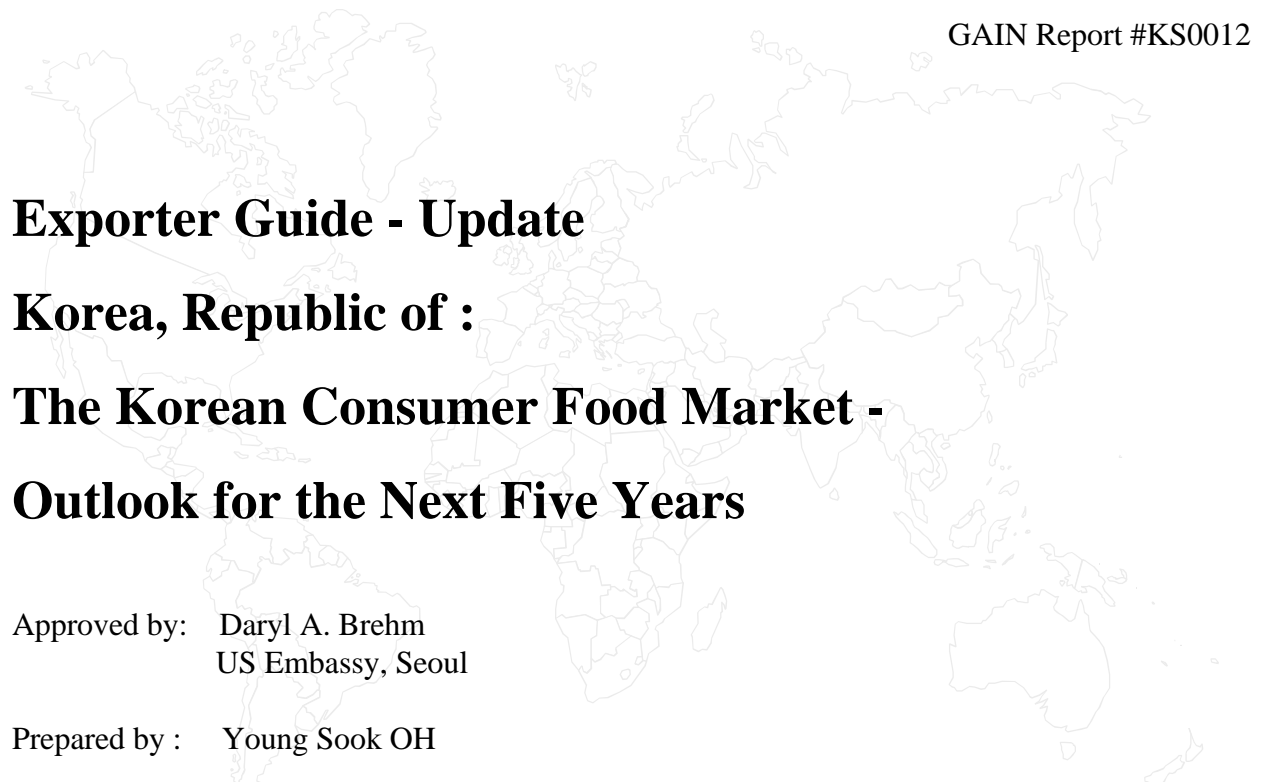




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Exporter Guide - Update

Korea, Republic of :

The Korean Consumer Food Market - Outlook for the Next Five Years

Approved by: Daryl A. Brehm
US Embassy, Seoul

Prepared by : Young Sook OH

Report Highlights:

The Korean market for imported consumer oriented foods jumped over 50 percent in 1999 to an estimated \$2 billion, as the economy rebounded from the economic ills of 1998. The economy is forecast to grow 7 percent this year, while imports of consumer oriented food products will likely increase by another 17 percent. With the Korean market more open than ever to U.S. processed food products, this report examines the outlook for the market over the next five years.

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I. Market Overview: The Economic Engine is hitting on all cylinders

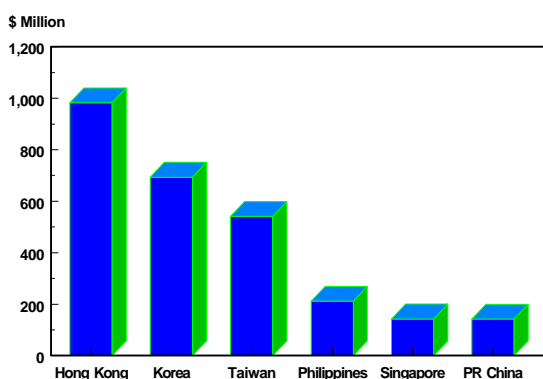
In 1999, Korea was the fastest growing of the top 35 markets for U.S. food products, and a larger U.S. market than any European country, including Germany, the Netherlands, the U.K., France, Spain, and Italy. The Korean Economy is back on a fundamental expansion, after being sidetracked by the 1997/98 recession. The Economy grew nearly 10 percent in 1999, and is expect to continue at a robust 7 percent for the year 2000. Local economists now forecast a 6 percent rate of growth for 2001 with low inflation.

The recovery is also illustrated by the increase in real wages of nearly 10 percent for 1999 over the 1998 figure. The consumption index is at the highest level since 1994, and unemployment has fallen to 4.4 percent. Meanwhile, foreign exchange reserves totaled a record \$74.1 billion at the end of 1999, up from \$48.5 billion one year ago.

While per capita income calculations in dollar terms are greatly dependent on the exchange rate, a generally strengthening Korean won, coupled with the growth in real wages, has again boosted this number to the \$10,000 level. A recent estimate forecasts Korean per capita income at \$21,000 by the year 2010, based on the trend of past years. The Korean factory worker now earns an average \$20,475 in compensation, the second highest wage level in Asia. Korea is now the third largest market for U.S. consumer food products in Asia, after Japan and Hong Kong. However, Korea has a faster growing economy than either of these two countries, and imports of consumer food products will likely grow more rapidly as well.

The total market for consumer ready foods showed a steady and rapid increase in the 1990's, reaching \$2.6 billion in 1997. Imports of these products again surpassed \$2 billion in 1999, after falling during the recession, and are on track to increase by an estimated 17 percent in the year 2000, according to local retailers.

Top U.S. Markets in Asia for Consumer Oriented Foods in 1999 (Excluding Japan)



Imports of consumer oriented food products from the United States topped 1 billion in both 1996 and 1997 (CIF value), but fell to just over \$500 million in 1998, due to the financial crisis. Last year, however, consumer demand came roaring back, with imports of U.S. consumer oriented foods reaching an estimated \$800 million. Korea will likely import over \$900 million (CIF value) of consumer oriented foods from the United States in CY 2000.

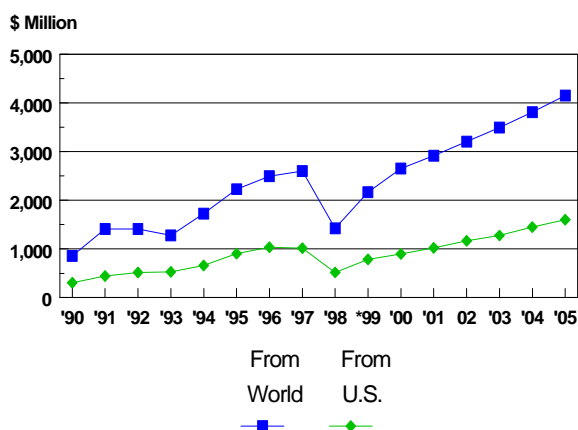
II. Market Sector Structure and Trends

It should be noted that while the growth in the import market for consumer ready food products is a result of the vigorous economy, it is also boosted by other factors. The retail food industry is in the midst of a dramatic change, influenced by the opening of the market to foreign competition in 1996. Large international food retailers, (such as Carefour, WalMart, etc.) have now entered Korea, competing on the local scene with an increasing number of large format outlets. This greater competition is bringing down the prices of imported consumer oriented foods, as well as providing increased shelf space for these foods. These outlets target the middle class as well as upper echelon income level consumers, providing a retail platform that for the first time “mass markets” a growing selection of imported foods in Korea.

The Hotel, Restaurant, and Institutional (HRI) sector has also enjoyed a renewed surge. With increasing business and tourist visitors to Korea, demand for imported foods and beverages by large restaurants and international class hotels was up by 30 to 50 percent in the last quarter of 1999 over the previous year. A recent boom in the popularity of western style restaurants will result in an increased number of outlets of western chains now located in Korea, as well as new entrants into the market.

Due to the dynamic nature of the retail food and HRI sectors in Korea, future imports of consumer food products will very likely rise at a faster pace than in the past 10 years, which saw these import levels more than double. During the early and mid-1990's, import regulations were relaxed, allowing more access to the Korean market. The new large scale retail market formats will increase the availability of these products to consumers - at a lower price. Finally, the younger generations of Koreans have a greater propensity to consume western style and imported food products. This implies that a larger share of the U.S. agricultural export “pie” to Korea will be in the form of consumer food products.

**Consumer Oriented Food Imports
into Korea - Past and Future**



End of Report

This report provides updated economic information for the Exporter Guide to Korea, (KS9106) released on 11/30/1999.

Market Briefs are researched and produced by the Agricultural Trade Office in Seoul, Korea. Market Briefs are meant to provide exporters with key information on products the ATO has identified as having excellent potential in the Korean market.

For further information contact:
Agricultural Trade Office
American Embassy
Unit #15550, APO AP 96205-0001
Tel. No.: 82-2-397-4188
Fax No.: 82-2-720-7921
E-mail: ATOSeoul@fas.usda.gov
Internet: www.atoseoul.com